

Message Text

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21

ACTION NEA-10

INFO OCT-01 AF-06 EUR-12 ISO-00 FEA-01 ERDA-07 AID-05

CEA-01 CIAE-00 CIEP-02 COME-00 DODE-00 EB-07 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-15 SAM-01 OES-05 SP-02 SS-15 STR-04 XMB-04 FRB-01

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P R 240620Z AUG 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC PRIORITY 3548

INFO US TREASURY DEPT WASHDC PRIORITY

AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

USMISSION OECD PARIS

USINT BAGHDAD

UNCLAS KUWAIT 3478

TREASURY FOR ASST SEC(Y PARSKY

E.O. 11652: N/A

TAGS: EGEN, EFIN, KU

SUBJ: CENTRAL BANK PREDICTS SIGNIFICANT DROP IN INCOME

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1. KUWAIT CENTRAL BANK IN LATEST ANNUAL REPORT WHICH JUST

PUBLISHED IS PREDICTING 23 PERCENT DROP IN TOTAL GOK INCOME IN FY 75/76, WHICH BEGAN APRIL 1, 1975 AND ENDS MARCH 31, 1976, COMPARED TO PREVIOUS YEAR. AS REPORTED IN KUWAIT TIMES AUGUST 23, CENTRAL BANK ANTICIPATES TOTAL INCOME OF KD 2 BILLION (KD1 EQUALS \$3.50) IN FY 75/76 COMPARED TO TOTAL INCOME OF KD 2.6 BILLION IN FY 74/75. REDUCED INCOME DIRECTLY RELATED TO SIGNIFICANT REDUCTION IN KUWAITI CRUDE OIL PRODUCTION.

2. CENTRAL BANK REPORT NOTES THAT OIL REVENUES IN FY 74/75 WERE ALMOST KD 2.4 BILLION AND ACCOUNTED FOR 91 PERCENT OF TATAL INCOME. INVESTMENT INCOME WAS KD 162 MILLION. IN FY 75/76 INVESTMENT INCOME IS EXPECTED TO REACH NEARLY \$1 BILLION (KD 270 MILLION), BUT OIL INCOME IS EXPECTED TO COMPRISE ONLY 84 PERCENT OF TOTAL STATE REVENUES.

3. COMMENT: WE HAVE NOT YET HAD OPPORTUNITY TO STUDY CENTRAL BANK ANALYSIS, AND IT WILL BE SEVERAL WEEKS BEFORE ENGLISH VERSION OF BANK'S ANNUAL REPORT IS AVAILABLE. SHARP REDUCTION IN TOTAL INCOME WHICH BANK PREDICTING IS, BY ITS OWN ADMISSION, REFLECTION OF MINISTRY OF FINANCE EFFORT TO BE QUOTE CAUTIOUS UNQUOTE IN STATE GOK INCOME. OUR OWN VIEW, FOR NOW AT LEAST, IS THAT CENTRAL BANK REPORT UNDERSTATES TOTAL INCOME BY ABOUT \$1 BILLION. IF KUWAITI CRUDE PRODUCTION AVERAGES OUT TO 2 MILLION BPD (AND THAT IS LOWER THAN PRESENT LEVELS WHICH ARE ALREADY OVER 30 PERCENT BELOW PRE-EMBARGO LEVELS) TOTAL INCOME FROM OIL ALONE SHOULD BE AROUND \$7 BILLION OR KD 2 BILLION. AS CENTRAL BANK HAS PREDICTED, HOWEVER, INVESTMENT INCOME SHOULD ADD AN ADDITIONAL \$1 BILLION. MOREOVER, WE THINK TOTAL OIL PRODUCTION WILL EXCEED 700 MILLION BARRELS AND TOTAL INCOME FROM OIL WILL EXCEED KD 2 BILLION.

4. NEVERTHELESS, IT DOES SEEM LIKELY THAT TOTAL GOK REVENUES IN FY 75/76 WILL BE LESS THAN IN FY 74/75. IT IS ALSO TRUE THAT MINISTRY OF FINANCE, PARTICULARLY MINISTER ATEEQI, HAS BEEN SAYING PUBLICLY AND PRIVATELY THAT GOK DOES NOT HAVE AS MUCH SURPLUS FUNDS AS OTHERS SUGGEST, PARTICULARLY IN LIGHT OF COMMITMENTS. WE THINK GOK WILL REMAIN RELATIVELY ACTIVE INTERNATIONAL INVESTOR AND AN IMPORTANT CONTRIBUTOR OF BILATERAL AND MULTILATERAL ECONOMIC ASSISTANCE. BUT GOK IS GETTING ITSELF INTO POSITION WHERE IT CAN ARGUE THAT ITS SURPLUS

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FUNDS ARE FINITE AND THEREFORE INDIVIDUAL INVESTMENT AND/OR AID REQUESTS WILL HAVE TO BE CAREFULLY WEIGHED BEFORE NEW COMMITMENTS CAN BE MADE.
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